

SDRS Revises Two Forms to Simplify Retire/Rehire Requirements

SDRS is a tax-qualified, defined benefit retirement plan and operates under strict provisions outlined in the Internal Revenue Service Code. As a result, SDRS may not begin retirement benefits until a member has fully terminated employment and achieved a complete separation of service.

On occasion, a member may request to resign, start an SDRS retirement benefit and then be reemployed. While it is best not to rehire an individual until he or she has been separated from service for at least 30 days, the reality is that many rehire decisions occur shortly after termination. To verify a member's complete separation of service and eligibility for retirement benefits, SDRS has recently revised two forms.

The Two Revised Forms

SDRS Form B-1, "Termination of Contributory Service," includes a new section regarding retirement. It states that if a member is ending SDRS contributions because of retirement, the Authorized Agent must certify under penalties of perjury that the member:

- ▶▶ has fully and completely ended employment with the participating unit and terminated all employment rights; and
- ▶▶ has not been rehired as a permanent full-time employee, or if rehired, was rehired in an open, competitive process without any expressed or implied agreement to be rehired

When an Authorized Agent is not fully aware of the details of a member's retirement and/or reemployment, the form should be signed by a person who knows the circumstances, such as an agent's supervisor, the chairman of the county commission or the president of the school board.

SDRS Form B-2, "Applying for SDRS Retirement Benefits," includes a new section regarding reemployment. This section requires the member to indicate whether he or she:


- ▶▶ is not returning to employment with the same unit;
- ▶▶ has already returned to employment with the same unit; or


SDRS may not begin retirement benefits until a member has fully terminated employment and achieved a complete separation of service.


When an agent is not aware of the details of a member's retirement or reemployment, Form B-1 should be signed by a person who knows the circumstances, such as the agent's supervisor.



The Answer Line: *Knowing Which Questions To Ask*

 **A member wants to acquire additional credited service through a trustee-to-trustee transfer using a portion of the funds in a qualified investment account. However, his trustee will not allow a partial transfer. What should he do?**


 Funds transferred from a trustee to SDRS to acquire credited service must match the acquisition cost to the penny. However, many trustees will transfer only the total sum within an account. In this case, the member may set up an account in the SDRS Supplemental Retirement Plan (SRP), transfer the total amount to that account, and then make a second transfer of the exact amount from the SRP to SDRS.


 **How does a member set up an account in the SRP?**

 A member may set up an

account by contacting the SRP office at 1-800-959-4457. Information about the SRP also is available on the SDRS Web site at www.state.sd.us/sdrs/SupplementalRetirement.htm

The Web site features program highlights, worksheets on “How Much to Save” and “How to Invest,” a description of investment alternatives and an overview of the ways SRP funds may be withdrawn.

 **How can a member estimate the effect an acquisition of credited service will have on his retirement benefit?**


 A member can determine the effect of additional credited service on a retirement benefit by using the benefit calculator on the SDRS Web site: www.state.sd.us/sdrs/

SDRS Reminder

MAKE APPOINTMENT BEFORE VISITING SDRS

Members who want to meet with their SDRS specialist should schedule an appointment before visiting the Pierre office. Without an appointment, a member might be disappointed to find that the specialist they would like to speak with is not available. To schedule an appointment, members may contact SDRS at (605) 773-3731.

[PlanningForRetirement/CalculatingSDRSBenefit.htm](#)

The benefit calculator allows a member to anticipate the effect various retirement dates, years of credited service and final average salaries will have on the member's monthly retirement benefit. Easy to use, the benefit calculator is an invaluable retirement planning tool. 


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▶ will be returning to employment with the same unit SDRS Form B-2 also specifies that retirement benefits may not be paid unless the member's employment was unconditionally terminated.

To maintain its tax-qualified status, SDRS must receive the documentation provided by the

two forms to ensure that the member has met the requirements for a separation of service upon termination of employment.

Unless a member meets the requirements for a separation of service, a retirement benefit may not begin. If it has begun and the separation requirements have not been met, the benefit must be

stopped and the member must repay any benefits immediately. SDRS should be alerted if a member starts the reemployment process. 

**South Dakota
Retirement System**

PO Box 1098
Pierre, South Dakota 57501

The Way It Works:

Trustee-to-trustee Transfer

Members not wanting to spend out-of-pocket dollars to acquire additional credited service in SDRS now have an alternative.


A “trustee-to-trustee transfer” provision in recently passed legislation allows them to move funds from certain eligible retirement plans (a trustee) to SDRS (also a trustee) to acquire credited service. Available for the first time this year, the trustee-to-trustee transfer uses member dollars already deposited in the SDRS Supplemental Retirement Plan (SRP), a similar § 457 plan or a § 403(b) plan to acquire additional credited service in SDRS. There are, however, very specific restrictions that have been established by the Internal Revenue Service.

1. A member must be contributing to SDRS at the time of the transfer.
2. A member must be a participant in the SRP, a similar § 457 plan or a § 403(b) plan—IRAs are not eligible for trustee-to-trustee transfers.
3. A member must have either:
 - (a) verified prior public service that is not currently eligible within SDRS; or
 - (b) withdrawn all contributions from SDRS, returned to work for an SDRS employer and now want to reacquire the lost credited service.
4. The transfer of dollars must be for the exact amount (to the

penny) necessary to acquire the credited service.

5. The dollars must be transferred directly from another eligible retirement plan to SDRS without ever being accessible to the member.

In addition to these IRS restrictions, members considering a trustee-to-trustee acquisition of credited service should note the following:

- » Prior public employment must be verified before it is eligible for acquisition. Verifying the length, time, place and type of employment is the responsibility of the member. Members can determine the effect of additional credited service on their retirement benefit by using the benefit calculator on the SDRS Web site: www.state.sd.us/sdrs/PlanningForRetirement/CalculatingSDRSBenefit.htm Please do not ask SDRS to make an estimate prior to verification.
- » SDRS reviews requests from members who have withdrawn contributions to determine the member’s eligibility and the most cost-effective method of the acquisition (a redeposit or a purchase). 

Members Should Be Aware

Members who intend to acquire additional credited service through a trustee-to-trustee transfer should note the following:

Time frame: The time it will take to complete the process can be lengthy. Members should allow two months for the verification of prior service plus another month for the transfer of dollars to SDRS. If they plan to retire soon after the transfer, be certain members allow at least three months from the completion of the transfer to their retirement date.

Deadline: The dollars must be received by SDRS within 30 days of the date the acquisition agreement was signed. Amounts received after that date cannot be accepted by SDRS and will be returned.

Some agents or trustees may not understand the process: Not everyone involved in a member’s § 457 or a § 403(b) plan will understand the requirements of a trustee-to-trustee transfer. Past experience has shown that trustees can make mistakes, such as sending the transfer to a member rather than directly to SDRS or rounding the amount of the transfer to the nearest dollar.

Trustees may apply additional charges for withdrawals: When arranging for the transfer with a trustee, be certain that any charges made by the trustee, such as a “backload” or contract termination charge, do not reduce the value of an account below what must be transferred to SDRS to fund the credited service.

Trustees may require the transfer of an entire account: Some trustees will transfer only the total sum within an account, which makes it impossible to meet the IRS requirement that only the exact amount necessary for the acquisition be transferred. In this instance, members may set up an account in the SDRS Supplemental Retirement Plan (SRP), transfer the total amount to that account and then make a second transfer of the exact amount from the SRP to SDRS.

SDRS Retirement Planners Meet with Members Locally

SDRS retirement planners are making group presentations and meeting with members individually at sites throughout South Dakota. Regardless of age, all SDRS members can benefit from these presentations. The earlier members

develop a retirement plan, the broader and more flexible their options will be.

The meetings are scheduled well in advance to allow members and their families time to plan. The statewide meeting schedule is

shown below and on the SDRS Web site: www.state.sd.us/sdrs/index.htm

Invitation letters are mailed to members in the surrounding area several weeks before the meetings. Members who want a one-on-one counseling session with a retirement planner should make an appointment through the SDRS office at least one week before the scheduled meeting. **UpDate**

SDRS STATE-WIDE MEETING SCHEDULE

| SCHEDULE DATE | CITY | COUNTY | LOCATION | ADDRESS | INDIVIDUAL COUNSELING SESSIONS |
|-------------------------|------------------------|-------------------------------|-------------------------------|--|--------------------------------|
| June 18, 2002 | Webster | Day | Dakotah Bank | 600 Main | Available |
| June 25, 2002 | Salem | McCook | REA Room | 236 N. Main | Available |
| July 2, 2002 | Parker | Turner | Community Room | 400 S. Main | Available |
| July 9, 2002 | Lake Preston | Kingsbury | Community Room | 100 3 rd St. N.W. | Available |
| July 16, 2002 | Tyndall | Bon Homme | City Library | 110 W. 17 th Ave. | Available |
| July 23, 2002 | Flandreau | Moody | County Courthouse | 101 E. Pipestone Ave. | Available |
| July 30, 2002 | Bison | Perkins & Ziebach | County Courthouse | 100 E. Main | Available |
| August 6, 2002 | Hot Springs | Fall River & Shannon | Mueller Civic Center | 801 S. 6 th St. | Available |
| August 13, 2002 | Sisseton | Roberts | Dakotah Bank | 321 E. Veteran Ave. | Available |
| August 20, 2002 | Vermillion | Clay | Continuing Education Building | North University | Available |
| August 27, 2002 | Beresford | Union | Library Community Room | 115 S. 3 rd | Available |
| September 3, 2002 | Redfield | Spink | Senior Center | 728 S. Main | Available |
| September 10, 2002 | Sturgis | Mead | Best Western-Evergreen Room | I-90 Exit 32/2431 S. Junction | Available |
| September 17, 2002 | Spearfish | Lawrence | Howard Johnson | Exit 14/323 S. 27 th | Available |
| September 24 & 25, 2002 | Rapid City Schools | Pennington | Quality Inn | 1902 N. Lacrosse | Available |
| October 1 & 2, 2002 | Sioux Falls Schools | Minnehaha | Ramkota | 2400 N. Louise | Available |
| October 8 & 9, 2002 | Rapid City* | Pennington | Ramkota | 2111 N. Lacrosse | Available |
| October 15 & 16, 2002 | Sioux Falls* | Minnehaha | Ramkota | 2400 N. Louise | Available |
| October 22, 2002 | Clark | Clark | Community Room | 111 W. 1 st / Elliot Building | Available |
| October 29, 2002 | Aberdeen | Brown & McPherson | Ramada | 2727 S.E. 6 th Ave. | Available |
| November 5, 2002 | Yankton | Yankton | Kelly Inn/Best Western | 1607 E. HWY 50 | Available |
| November 12, 2002 | Madison | Lake & Miner | Chamber of Commerce Room | 315 S. Egan Ave. | Available |
| November 19, 2002 | Brookings | Brookings | Brookings Inn | 2500 E. 6 th St. | Available |
| November 26, 2002 | Huron | Beedle & Sanborn | Crossroads Hotel | 100 4 th St. | Available |
| December 3, 2002 | Pierre (State Workers) | Hughes, Hyde, Stanley & Sully | Ramkota | 920 W. Sioux Ave. | Available |

* All agencies, other than schools